

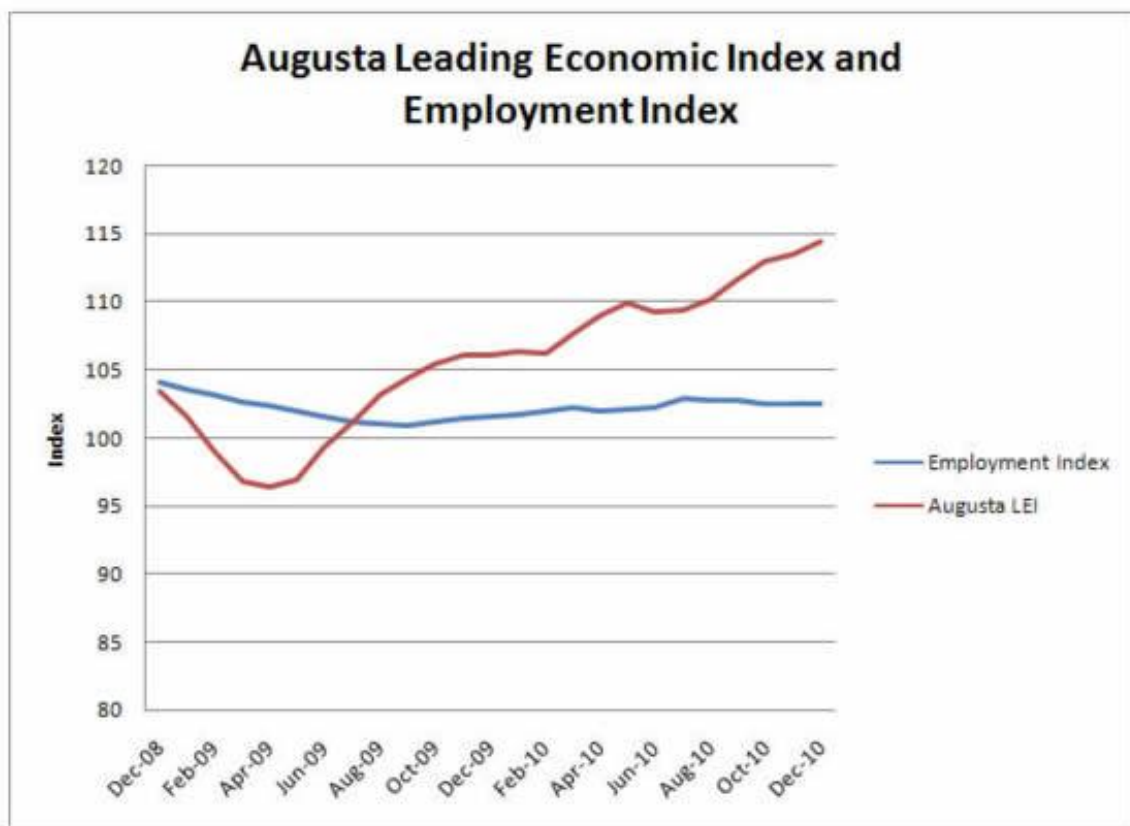
Greater Augusta Economic Commentary

February
2011

Augusta Economy

Greater Augusta Economic Activity Index

In December, the Augusta LEI increased 0.8 percent from November. The index is up 7.9% from December 2009. This is the sixth consecutive monthly increase in the index. However, all the components have shown some month to month decreases over the past six months suggesting unevenness in the expansion path.



In December, building permits, the Dow Jones Industrial Average and job openings all increased over their

November levels. Unemployment insurance initial claims were down after seasonal adjustment which contributes positively to the index. Employment has been stable over the past six months with about 211,000 people employed in the MSA. Over the past year the Augusta employment levels have increased by 1,800, although the December data from the Bureau of Labor Statistics (BLS) is still provisional.

Nationally, economic growth has picked up a little. The Bureau of Economic Analysis reported that fourth quarter growth in Gross Domestic Product (GDP) was 3.2%. On some measures (seasonally adjusted annual rate, measured in 2005 dollars) GDP is now above the final quarter of 2007, when the recession began. Unemployment, which tends to lag the general business cycle, fell slightly to 9.0% in January. Inflation is currently 1.5% but inflationary pressure may be building up in the economy with rising food and commodity prices. The Conference Board's consumer inflation expectations survey suggests consumers expect inflation to be 5.5% this time next year.

Locally, the Augusta MSA unemployment rate stands at 8.9% (December). The local unemployment rate continues to compare favorably with the national and state (10.2%) levels. The BLS reported that the average weekly wage in Augusta was \$741 in the second quarter of 2010 compared with \$717 a year earlier. The housing market continues to be weak; Zillow.com reports that house prices in Augusta are down 5.5% this quarter from the previous quarter and down 9.6% on a year earlier. National house prices are down 5.1% on a year earlier (according to Zillow.com) and 1.6% according to S&P/Case-Shiller.

The Augusta Tourism Index

The Augusta Tourism Index is up 0.3% from September and 4.0% from a year earlier. This suggests that although tourism activity continues to increase, it is doing so at a declining rate. The Augusta Tourism Index is a composite index of hotel occupancy and revenues provided by Smith Travel Research Inc, and employment in the hospitality and leisure sector as reported by the BLS. Over the past quarter occupancy and revenues have generally been up, but employment has declined.



Other regional indexes provided some mixed news. The Kennesaw State Purchasing Managers Index (PMI) for Georgia increased from 55.0 in September to 56.3 in December. The Coastal Empire coincident index produced by Armstrong Atlantic University in Savannah was up 0.7% in the third quarter and the leading index was unchanged. The Gwinnett County index of leading indicators dropped 2.3% in December from November. These indexes are not directly comparable to the Augusta LEI as they are constructed using different methodologies and variables, but they do give an indication of economic activity in other parts of the state.

About the Index

The Augusta Leading Economic Index (Augusta LEI) is a monthly composite index that combines several national, regional and local indicators into a single variable. Leading indexes combine variables that change before business cycle variables such as employment changes. Leading indexes may, therefore, indicate changes that could occur in the economy. Leading indexes are not forecasts or predictions about the future, but may signify future economic activity.

The Augusta LEI may, therefore, provide local decision makers with timely information about future business cycle patterns in the Augusta area. The Augusta LEI uses economic indicators for the Augusta Metropolitan Statistical Area (MSA), which includes six counties (i.e., Burke, Columbia, McDuffie, and Richmond counties in Georgia, and Aiken and Edgefield counties in South Carolina).

The index also includes regional and national indicators to reflect that national trends affect the local economy. The index is constructed in the same way that the Conference Board constructs the Leading Economic Index for the United States.



Simon Medcalfe is an Assistant Professor of Finance in the James M. Hull College of Business at Augusta State University. He holds a Ph.D. in business and economics from Lehigh University in Bethlehem, PA and a Master of Science degree in finance from Leicester University in England. He has published academic articles in the areas of sports and health economics and economic education as well as contributing to a labor economics textbook. In addition, he has written newspaper columns in the "Your Business" section of The Augusta Chronicle.

He can be reached at smedcalfe@aug.edu.